

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

During fiscal year 2000-2001, the State implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions,

No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,

No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,

No. 36, Recipient Reporting for Certain Shared Non-exchange Revenues,

No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and

No. 38, Certain Financial Statement Note Disclosures.

Statement No. 33, as amended by Statement No. 36, establishes standards for recording non-exchange transactions on the modified accrual and accrual bases of accounting. The State derives a significant portion of its revenue from non-exchange transactions, such as taxes and federal aid. The effect on the tax related non-exchange transactions recorded as revenue in the governmental funds was insignificant. However, the State recorded taxes receivable of \$2.5 billion in the governmental fund financial statements with a corresponding amount reported as deferred revenue. These amounts represent deferred revenues from non-exchange transactions during the fiscal year, which are not available to finance expenditures of the current period. On the government-wide financial statements reported on the accrual basis of

accounting, taxes receivable are recorded as described in the preceding sentence; however, corresponding amounts are reported as revenue instead of deferred revenue.

Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. This statement's requirements represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to the fund equities reported in the prior financial statement balances were required.

Statement No. 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The State universities, reported as discretely presented component units, adopted the requirements of Statement No. 35.

Statement No. 38 requires certain note disclosures when Statement No. 34 is implemented.

The provisions of these new standards have been incorporated into the financial statements and notes. The following tables summarize (in millions) changes to fund equities as previously reported on the Combined Balance Sheet. The changes resulted primarily from implementation of these GASB Statements, however, the State Building Authority, a capital projects fund, restated its fund equity by \$348.1 million to properly reflect commercial paper as a long-term liability.

Michigan
Notes to the Financial Statements

	September 30, 2000 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	September 30, 2000 As Restated
GOVERNMENTAL FUNDS AND ACTIVITIES				
Major Funds:				
General Fund	\$ 2,101.3	\$ -	\$ -	\$ 2,101.3
Previously reported as Special Revenue Funds:				
Budget Stabilization Fund	-	1,264.4	-	1,264.4
School Aid Fund	-	985.6	-	985.6
Non-major Funds:				
Special Revenue Funds:				
Transportation Related:				
Other Transportation related funds	519.1	-	-	519.1
Total Fund Balances	519.1	-	-	519.1
Conservation, Environment, and Recreation Related:				
Michigan Natural Resources Trust Fund	231.3	(231.3)	-	-
Michigan State Parks Endowment Fund	93.7	(93.7)	-	-
Michigan Civilian Conservation Corps Endowment Fund	22.0	(22.0)	-	-
Other Conservation, Environment, and Recreation Related funds	373.1	-	-	373.1
Total Fund Balances	720.1	(347.0)	-	373.1
Regulatory and Administrative Related:				
Second Injury Fund	-	9.0	-	9.0
Silicosis, Dust Disease, and Logging Industry Compensation Fund	-	4.5	-	4.5
Self-Insurers' Security Fund	-	2.0	-	2.0
Utility Consumer Representation Fund	-	1.8	-	1.8
Other Regulatory and Administrative Funds	16.6	-	-	16.6
Total Fund Balances	16.6	17.2	-	33.8
Other State Funds:				
Budget Stabilization Fund	1,264.4	(1,264.4)	-	-
School Aid Fund	985.6	(985.6)	-	-
Michigan Veterans' Trust Fund	48.8	(48.8)	-	-
Children's Trust Fund	20.6	(20.6)	-	-
Miscellaneous Other State Funds	-	3.9	-	3.9
Other State Funds	168.0	-	-	168.0
Total Fund Balances	2,487.5	(2,315.6)	-	171.9
Total Special Revenue Funds:	3,743.3	(2,645.4)	-	1,097.9
Debt Service Funds	291.8	-	-	291.8
Capital Projects Fund:				
State Building Authority	(457.8)	-	348.1	(109.8)
Other Capital Projects Funds	(44.5)	-	-	(44.5)
Total Capital Projects Funds	(502.3)	-	348.1	(154.2)
Permanent Funds:				
Michigan Natural Resources Trust Fund	-	231.3	-	231.3
Michigan State Parks Endowment Fund	-	93.7	-	93.7
Michigan Civilian Conservation Corps Endowment Fund	-	22.0	-	22.0
Michigan Veterans' Trust Fund	-	48.8	-	48.8
Children's Trust fund	-	20.6	-	20.6
Total Permanent Funds	-	416.4	-	416.4
Total Non-major Funds:	3,532.8	(2,228.9)	348.1	1,652.0
Total Governmental Funds	\$ 5,634.1	\$ 21.2	\$ 348.1	\$ 6,003.4

Michigan
Notes to the Financial Statements

	September 30, 2000 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	September 30, 2000 As Restated
Adoption of GASB Statement No. 33 and 34				
Revenue recognition	\$ -	\$ -	\$ 2,219.3	\$ 2,219.3
Capital assets, net of depreciation	-	3,671.5	13,347.8	17,019.3
Long-term bonds and notes payable	-	-	(4,239.7)	(4,239.7)
Other liabilities and long-term obligations	-	-	(1,921.3)	(1,921.3)
Interest in joint venture	-	-	25.0	25.0
Net pension assets	-	-	94.9	94.9
Net pension liabilities	-	-	(20.5)	(20.5)
Internal service fund conversion	-	68.0	-	68.0
Adoption of GASB Statement No. 33 and 34	-	3,739.5	9,505.5	13,245.0
TOTAL GOVERNMENTAL FUNDS AND ACTIVITIES	\$ 5,634.1	\$ 3,760.7	\$ 9,853.6	\$ 19,248.4
PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES				
Major Funds:				
Michigan Unemployment Compensation Funds	\$ -	\$ 3,262.0	\$ 18.1	\$ 3,280.1
State Lottery Fund	50.9	-	-	50.9
Total net assets	50.9	3,262.0	18.1	3,330.9
Non-major Funds:				
Liquor Purchase Revolving Fund	6.7	-	-	6.7
Internal Service Funds	68.0	(68.0)	-	-
TOTAL PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES	\$ 125.6	\$ 3,193.9	\$ 18.1	\$ 3,337.6
FIDUCIARY FUNDS				
Pension (and other employee benefits) Trust Funds:				
State Employees' Deferred Compensation Funds	\$ -	\$ 3,554.9	\$ -	\$ 3,554.9
Other Pension Trust Funds	53,758.2	-	-	53,758.2
Total Pension (and other employee benefits) Trust Funds	53,758.2	3,554.9	-	57,313.1
Private Purpose Funds:				
Escheats Fund	-	-	21.7	21.7
Gifts, Bequests, and Deposits Investment Fund	-	35.6	-	35.6
Hospital Patients' Trust Fund	-	.8	-	.8
Federal Housing Administration Mortgages Escrow Fund	-	1.2	-	1.2
Workers' Disability Compensation Funds	-	1.8	-	1.8
Total Private Purpose Trust Funds	-	39.4	21.7	61.1
Funds previously reported as Expendable Trust Funds:				
Michigan Unemployment Compensation Fund	3,178.7	(3,178.7)	-	-
Michigan Employment Security Act Contingent Fund	83.3	(83.3)	-	-
Second Injury Fund	9.0	(9.0)	-	-
State Employees' Deferred Compensation Funds	3,554.9	(3,554.9)	-	-
Miscellaneous Trust Accounts Fund	51.6	(51.6)	-	-
Total Expendable Trust Funds	6,877.4	(6,877.4)	-	-
TOTAL FIDUCIARY FUNDS	\$ 60,635.6	\$ (3,283.1)	\$ 21.7	\$ 57,374.2
ACCOUNT GROUPS				
General Fixed Assets	\$ 3,671.5	\$ (3,671.5)	\$ -	\$ -
General Long-term Obligations	-	-	-	-
TOTAL ACCOUNT GROUPS	\$ 3,671.5	\$ (3,671.5)	\$ -	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 70,066.8	\$ -	\$ 9,893.4	\$ 79,960.2

Michigan
Notes to the Financial Statements

	September 30, 2000 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	September 30, 2000 As Restated
DISCRETELY PRESENTED COMPONENT UNITS	\$ 4,021.7	\$ -	\$ -	\$ 4,021.7
Adoption of GASB Statement No. 33, 34 and 35:				
Revenue and expense recognition	-	-	(1.3)	(1.3)
Capital assets, net of depreciation	-	-	91.4	91.4
Fund reclassification	-	(57.0)	-	(57.0)
Other	-	-	8.4	8.4
Total Net Assets for Discretely Presented Component Units – restated	<u>\$ 4,021.7</u>	<u>\$ (57.0)</u>	<u>\$ 98.5</u>	<u>\$ 4,063.2</u>